

Kelleher: 'Huge interest' in new Spire deal

Judge's OK revives tower project

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The judge in the Spire bankruptcy case approved a deal that could see the project move ahead. It was stalled after preliminary development (Tribune photo).

Six years after work to construct the tallest building in the western hemisphere came to a standstill, Chicago Spire developer Garrett Kelleher is back, this time with a partner, talking with [potential](#) buyers and making plans to find funding to restart the project.

Standing in a hallway just after a bankruptcy court hearing Wednesday, during which a federal judge said she would approve efforts to pay off creditors, Kelleher said it'd been quite a task to find a resolution to the bankruptcy case of his [company](#). Now, he was ready to move forward with the project, possibly even this year.

"I'm very pleased with the settlement. It's good for all," Kelleher said in an interview. "We prefer to pay fees to architects and consultants, not lawyers."

On Wednesday, U.S. Bankruptcy Judge Janet Baer said she would approve a bankruptcy settlement agreement that gives Kelleher and a new majority partner time to pay [claims](#) tied to the case and then proceed with the long-stalled project that would bring 1,194 condos and 1,420 parking spaces to 400 N. Lake Shore Drive.

Under the plan negotiated between Kelleher's Shelbourne North Water Street LP, Atlas Apartment Holdings LLC and Related Midwest, Atlas and Kelleher have at least six months, and possibly a year, to resolve bankruptcy claims. Atlas, an apartment developer and manager, is required to provide up to \$135 million either from its own funds or with lenders

and investors, to pay those claims. That planned investment agreement, which Shelbourne considers its 'pathway to a confirmed plan of reorganization,' would also be approved, Baer told attorneys.

"It's a very good deal for essentially all the parties in the case," Joseph Frank, an [attorney](#) for Shelbourne, told Baer.

In return for its participation, Atlas becomes the majority owner of the Spire site. In interviews, Atlas CEO Steve Ivankovich has said his intention is to develop the Spire as it was originally planned, a twisting, 2,000-foot condominium tower.

Kelleher echoed that sentiment Wednesday, noting that before the housing crisis contracts were written for a third of the condos in the 150-story, spiral-shaped skyscraper, half of them to international buyers. Kelleher said he has already been in touch with some of those would-be buyers.

The housing market "is significantly better than January 2008 when we launched the sale," Kelleher said. "This will be as planned. This is an international project. There's huge interest."

There also are jobs to be created during the construction process, more than 15,000 of them, according to Kelleher.

Related Midwest, which holds the debt on the project, is to receive by Oct. 31 \$109 million, plus additional funds Shelbourne borrowed in bankruptcy financing. If Shelbourne chooses to, it can receive a six-month extension in return for a \$22 million payment made to Related by Oct. 31 and then a \$92-million-plus payment by March 31, 2015.

If the payments are not made as scheduled, or if Shelbourne opts not to proceed with the payment plan, Related Midwest will take title to the [property](#) and can develop it however it chooses. Under that scenario, Related would pay to \$2 million to Shelbourne and \$500,000 to Atlas.

The plan also erases the personal guarantees that Kelleher signed for the mortgage debt.

Last summer, Related purchased, at a discount, about \$93 million in delinquent debt on the project. The company successfully had the exact price redacted from court documents.